

Enabling the Flourishing and Evolution of Social Entrepreneurship for Innovative and Inclusive Societies – EFESIIS Project results for Serbia



POLICY BRIEF

Social entrepreneurship is increasingly attracting the interest of both academia and practice, as social enterprises (SEs) are seen as having a positive impact on human and economic development of society. In November 2013, a consortium of 11 organisations¹ started a three-year EFESIIS research project covering 10 countries: Albania, Austria, Denmark, England, France, Germany, Italy, Poland, Serbia, Scotland and The Netherlands. The research project had four main objectives: to identify the features of an enabling eco-system for social entrepreneurship, to identify the “new generation” of social entrepreneurs, to build an evolutionary theory of social entrepreneurship and to provide effective policy recommendations to stakeholders.

Research Background in Serbia

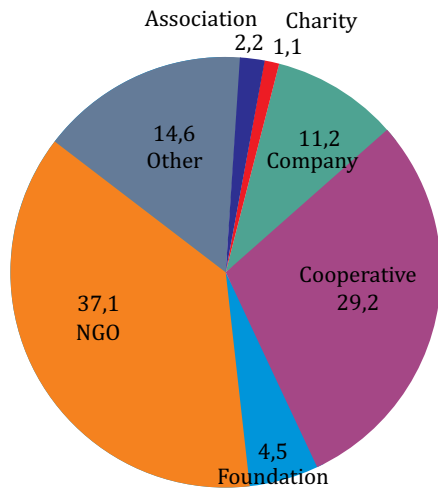
The forerunners of social enterprises as we know today in Serbia can be found in the origins of cooperatives back in 19th century, when first collective farms and credit unions were founded. After the Second World War, similar to other enterprises, during socialism cooperatives became an integral part of the political system and planned economy and as such were controlled by the state. A legacy relevant for the development of social enterprises inherited from the

socialist period - are the companies for disabled which were an important mechanism to integrate the disabled population into work and society, which benefitted from a guaranteed market and had autonomy in decision- making processes.

If understood in a manner of its definition in developed economies, social entrepreneurship is a relatively new phenomenon in Serbia and can be traced only after the political change in 2000. The emergence of social enterprises

1) The research consortium was led by PIN S.c.r.l. Servizi didattici e scientifici per l'Università di Firenze (Italy) and formed by the following organizations: Glasgow Caledonian University (Scotland); Fondacija Za Razvoj Ekonomske Nauke (Serbia); Impact Hub (Austria); Nxitja e Biznesit Social Sha (Albania); Science Po -Fondation Nationale des Sciences Politiques Paris (France); Stichting Dienst Landbouwkundig Onderzoek – Alterra (The Netherlands); Syddansk Universitet (Denmark); University of Northampton (England); Uniwersytet Warszawski (Poland); Westfaelische Wilhelms- Universitaet Muenster (Germany).

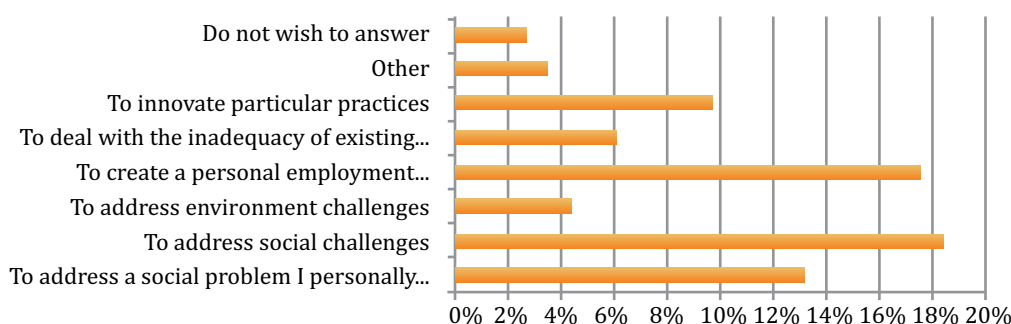
2) Academic papers, reports and publications are available on the project website www.fp7-efeseiis.eu.

Figure 1: Legal status of the SE

Source: Own calculations from the survey data

in Serbia has been predominantly driven by the enthusiasm of their founders and the willingness of donors to fund such enterprises. Overall, it appears that the progress of the social economy sector has been driven by local NGOs.

It is important to note that throughout this research social enterprises are defined following the EMES methodology by indicators relating to the economic, social and management dimension, and include various organization forms including limited liability companies, entrepreneurs, NGOs, cooperatives, etc.

Figure 2: Entrepreneurs' motivation

Source: Own calculations from the survey data.

The state has recognized the role of social enterprise and sees their potential especially in the provision of jobs for vulnerable groups. As an attempt to support the local economy, the state has put in an effort to improve the legal framework. A new Law on Associations and Law on Endowments and Foundations were adopted in 2009 and 2011 respectively. New laws on co-operatives and social entrepreneurship were prepared and publicly discussed, but their adoption was postponed.

Data and methodology

In order to pursue and achieve the research objectives, the consortium implemented a complex research design built both on qualitative and quantitative methodologies. A survey of social enterprises was conducted in Serbia from June to October 2015. The sample covered 90 social enterprises (30 from the capital city of Belgrade and 60 from other parts of the country), while qualitative research encompassed 24 in-depth interviews with stakeholders and experts in

the SE sector, workshops, focus groups and case studies of new generation social enterprises.

Key findings

Characteristics of social enterprises and entrepreneurs in Serbia

The majority of social enterprises (SE) have been established after 2000 and are micro enterprises having less than 10 employees. They are engaged in several sectors such as agriculture, human health and social work activities, education and other service activities and have a quite low turnover (one quarter of the respondents reported that their turnover was lower than 6.250EUR). The majority of the social enterprises are totally dependent on grants, donations, bequests or benefactions.

Both the founders and other responsible personnel of social enterprises are, to a large extent, highly educated and the majority of them continue to professionally develop themselves. The establishment of SE has mainly been motivated by a desire to address a social challenge, or the need to create a personal employment opportunity, followed by a desire to address a social problem which they have personally experienced. The gender gap in motivation to work is pronounced.

Creating a personal employment opportunity appears to be a more important motive for men than for women, as well as for older founders (over 40 years of age). On the other hand, younger respondents are motivated primarily to address a specific social problem. Nearly 70 percent of the interviewed social enterprises use project grants as their main source of funding, while bank loans are financing instrument for 13 percent of enterprises. Most enterprises (35 percent) relied on grants from projects to finance their start up activities, or used personal savings and donations or fundraising. Only one tenth of the founders had access to bank loans when establishing their social enterprise. This low rate of bank loans is due to very unfavorable conditions for lending money through banking channels in Serbia (i.e., high interest rate, substantial collateral etc.). Other financing instruments are negligible, while microcredits or crowdfunding do not exist. The emergence of a new generation of social enterprises in Serbia should be considered, also in light of this difficulty in securing funding and reliance on grants.

On the basis of data collected through this research in all of the partner countries, a typology of environments was created to describe the most notable four categories. Serbia

may be described to belong to the ecosystem typethat is characterised by higher homogeneity in the types of social enterprises that emerge and lower commercial sustainability as mostly being reliant on grant and/or directed funding. The lack of collaboration among stakeholders at the macro- and micro level is also notable.

New Generation of Social Enterprises

Although some forms of social enterprises in Serbia existed in the period prior to year 2000, the real impulse for their creation came together with other social, political and economic reforms that started after that year. These new social enterprises are expressing high aspiration to achieve economic independence and sustainability, together with their social mission.

Strategically, they have turned more to the private sector with an idea to foster

entrepreneurial spirit and initiative-undertaking from the bottom-up. Organizationally, these enterprises developed mostly as micro and small firms. Among these, a sub-group that could be marked as a New Generation of Social Enterprises (NGSEs) is emerging. Their social function is performed in a more or less new, non-standard way and they are expressing somewhat different organizational behaviour compared to their predecessors. They are evolving in different domains such as addressing issues of marginalized groups, environmental issues and the development of new business models.

Social enterprises in Serbia have a considerable potential but the way they will continue to develop depends on achieving the balance between the incentives for their business and the challenges they face.

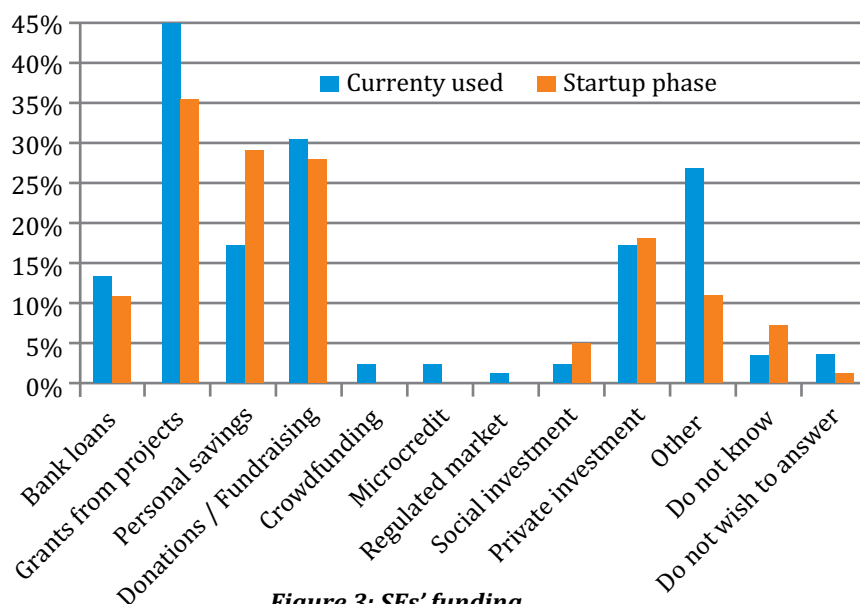


Figure 3: SEs' funding

The Way Forward in Creating an Enabling Ecosystem for SEs in Serbia

The research identified a number of enabling and hindering factors that should be taken into consideration in policy development, but also by practitioners in the field. The most important incentive factors in Serbia proved to be the following: (1) positive historical legacy – related to companies for vocational rehabilitation of disabled persons and certain positive experiences of agricultural cooperatives, (2) the need for entrepreneurial approach to solving social problems, (3) raised awareness of the citizens for the need for greater involvement in social issues and, at the same time, the pressure coming from the EU and (4) development of the networks as the support platform.

At the same time, social enterprises face numerous challenges, factors that hinder their growth and development. Among the most important are: (1) public and government distrust towards forms of social ownership, (2) insufficiently clear status of social enterprises - Lack of consensus in defining SEs and lack of clarity in regulations concerning SEs, (3) uncoordinated activities between different stakeholders (4) unfavourable access to financial resources, (5) sustainability and (6) the general lack of entrepreneurial spirit in Serbian business culture.

The implications for policy makers stem directly from these: It is of paramount importance that the definition of social enterprises proposed in the policy framework is broad enough to encompass the variety of forms and social missions achieved by the many social enterprises involved in this research, as well as aligned with EU standards.



The policy brief is the result of the Enabling the Flourishing and Evolution of Social Entrepreneurship for Innovative and Inclusive Societies - EFESIIS Project with funding from the European Union's Seventh Framework Programme.

The content of the document is the responsibility of the authors and does not necessarily reflect the views of the European Union's Framework Programme.



<http://www.fp7-efeseiis.eu>

Foundation for the Advancement of
Economics

Kamenička 6, Belgrade, Serbia
e-mail: office@fren.org.rs
web: www.fren.org.rs
telephone: +381 11 3021069